

Fannie-Freddie Represents the Largest Taxpayer Bailout in History but Future Met with Deafening Silence

WASHINGTON D.C. – President Obama today signed a “financial reform” bill into law today that remarkably ignored how the economic crisis was created by a partnership between the federal government and Gov-ernment Sponsored Enterprises (GSE's) such as Fannie Mae and Freddie Mac who paved the way for an over-inflated housing bubble that encouraged mortgage lenders to make reckless, high-risk loans to under-qualified borrowers in an effort to satisfy an increasingly aggressive and politically motivated government effort to artificially inflate home ownership.

“President Obama’s bill signing charade represents nothing more than an absolute betrayal and abdication of what Presidential leadership is supposed to embody,” said, Rep. Darrell Issa (R-CA), the Ranking Member of the Oversight and Government Reform Committee. “ [New evidence has come to light](#)

revealing how in the run-up to the subprime mortgage meltdown, Fannie and Freddie officials were accepting sweetheart VIP loans from Countrywide. Despite the fact that the federal government was a willing accomplice in this nexus of special interest influence’s effort to shape the mortgage market jeopardizing our fiscal solvency, the President and Democratic Congress have responded to repeated calls to reform Fannie and Freddie with a deafening silence.”

Inflated investor confidence and exclusive government protec-tion resulted in an unnatural expansion of Fannie Mae and Freddie Mac's market dominance, and by the time the 1990s rolled around, the corporations together held more than three quarters of the secondary market for prime mortgages. As the market for secondary mortgages grew, Fannie Mae and Freddie Mac nearly achieved monopoly results thanks to numerous competitive advantages guaranteed through their unique relationship with the federal government. Among these advantages were government-backed lines of credit equal to a whopping \$2.25 billion and a corollary market

reputation that led investors to believe the GSEs were too big to fail. In September of 2008, the federal government took control of Fannie Mae and Freddie Mac – that takeover has cost taxpayers \$145 billion.

“The economic earthquake that shook the world financial markets and bankrupted seemingly invulnerable multi-national corporations exposed perilous fault lines of the federal government's own creation that to this day, have been ignored by policymakers in Congress and the Obama Administration,” said Issa. “The consequences of these policies brought the entire global financial system to the brink of collapse, destroying trillions in equity and disrupting untold numbers of lives. Without a return to fiscal discipline and prudent, responsible housing policies, we are destined to make the same mistakes that led to the current financial crisis.”

[Issa Essay on Role of GSE's in Creating Financial Crisis](#)

[Issa Report from July 2009 Detailing Role of Government Policy in Creating Financial Crisis](#)

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